

**MANAGEMENT AUDIT SERVICES**

GRANT AUDIT

**CALTRANS  
HOV LANE CONSTRUCTION  
ON I-10 FROM ROUTE 57 TO  
SAN BERNARDINO COUNTY LINE**

**CALL FOR PROJECT  
NO. P0004289**

**07-CAL-G03 FEBRUARY 2008**



**Metro**



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## EXECUTIVE SUMMARY

At the request of the Project Manager, Benkin Jong, an interim review was completed by Los Angeles County Metropolitan Transportation Authority (Metro) Management Audit Services (Management Audit) for the Transportation Improvement Program (TIP) call for project Memorandum of Understanding (MOU) P0004289. This MOU is with the State of California, Department of Transportation (Caltrans) to construct a High Occupancy Vehicle (HOV) lane on Interstate 10 from Route 57 to San Bernardino County Line (SBCL). The estimated project cost for the HOV component portion of the MOU is \$87,471,435:

<u>Funding Source</u>	<u>Component</u>	<u>Amount</u>	<u>Percent</u>
STIP	Construction Capital	\$58,092,000	66.41%
RSTP	Construction Capital	12,269,000	14.03%
Prop C 25%	Construction Capital	5,164,564	5.90%
Subtotal		\$75,525,564	86.34%
STIP	PA & ED	22,000	.03%
STIP	PS & E Oversight	470,000	.54%
STIP	R/W Engineering	770,000	.88%
STIP	R/W Capital	4,000,000	4.57%
STIP	Construction Support	5,654,000	6.46%
Prop C 25%	Design (P S & E)	1,029,871	1.18%
Subtotal		\$11,945,871	12.48%
Grand Total		\$87,471,435	100.00%

Metro previously expended \$1,029,871 to pay the design consultant and this cost was included in the Washington Group International review performed under Report No. 06-WGI-01, the Project Approval & Environmental Document (PA & ED), Plans, Specifications, & Estimate (PS & E), Right-of-Way (R/W) Engineering, R/W Capital, and Construction Support and Design (PS&E) components are not part of this review.

Caltrans also independently programmed \$4,781,000 in STIP for a Retrofit Soundwall Project and \$3,788,000 in SHOPP Rehabilitation Project. These projects were designed and constructed as part of the HOV Project packaged together as one construction project to streamline operation, save design costs, take advantage of economies of scale, and to minimize traffic interruptions from letting multiple construction contracts. Caltrans segregated the Engineer's Estimate to reflect the three (3) sub-projects and further segregated the Engineer's Estimate to reflect the three (3) funding sources for the HOV Project (STIP, RSTP, & Prop C 25%).



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## EXECUTIVE SUMMARY

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As the low bidder was higher than the original programmed budget, Caltrans sometime after bid opening had revised the STIP and SHOPP programming to the Project (Expenditure Authorization #1224U4) as follows:

<u>Funding Source</u>	<u>Amount</u>	<u>Percent</u>
HOV STIP	\$61,446,502	70.39%
HOV RSTP	11,352,301	13.00%
HOV Prop C 25%	4,000,716	4.58%
Soundwall STIP	5,193,667	5.95%
SHOPP STIP	5,302,611	6.07%
Total	<u>\$87,295,797</u>	<u>100.00%</u>

The HOV STIP, Soundwall STIP, and SHOPP funds increased while the HOV RSTP and the HOV Prop C 25 percent funds decreased from the original programmed amounts.

Components that are 100 percent programmed with STIP funds are not subject to audit by Metro. Therefore, the scope of this review is limited to the construction capital portion of \$5,164,564 or 5.9 percent (which was reduced to \$4,000,716 or 4.58 percent in the modified programming budget). The 4.58 percent Metro share was reduced to 3.53 percent in the Caltrans Project Cost Summary (PCS) because Caltrans required less Prop C 25 percent for the project because the STIP and SHOPP funds were increased.

Caltrans' total billed cost of \$3,940,626 was based on invoices submitted for the period January 3, 1993 to March 9, 2005. The total project cost of \$87,489,166 is the actual cost for the combined project. We take no exceptions to the project cost of \$87,489,166. Metro's share of the allowable project cost is \$3,090,763 (\$87,489,166 X 3.53%).

Metro reimbursed Caltrans \$3,940,626 of the \$3,090,763 allowable project cost and no retention was withheld. Metro overpaid \$849,863 (\$3,940,626-\$3,090,763).

We recommend \$3,090,763 as Metro's share of the allowable project incurred cost for the period January 3, 1993 to March 9, 2005 and that Countrywide Planning recover the overpaid cost of \$849,863.

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## INTRODUCTION

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### Background

The MOU is between Caltrans and Metro. The objective of the project is to provide environmental document work, design, (Plans, Specifications and Estimate-PS &E), Right-of-Way, and Construction of High Occupancy Vehicle (HOV) Lanes on I-10 from



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## INTRODUCTION

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Route 57 to San Bernardino County Line. The project will help alleviate congestion, increase ridesharing and reduce air pollution. The MOU commenced on January 1, 1993 and will lapse on June 30, 2006.

### Objectives

The audit objectives were to:

- Determine allowability, allocability and reasonableness of the incurred cost.
- Determine whether costs incurred and billed were allowable under relevant cost standards and in compliance with the specific and general terms of the MOU and project management guidelines.
- Determine whether costs incurred were properly and accurately charged to the MOU, were reasonable in amount, and were supported by documented evidence.
- Determine whether costs were properly recorded for reimbursement purposes and that reimbursements were received by Caltrans and that Metro's books properly reflect these transactions.
- Determine whether cost incurred were by the lapsing date and invoiced within 60 days after the lapsing date.

### Scope

We determined the amount invoiced by Caltrans for costs incurred in the performance of the MOU. The invoices were submitted between January 3, 1993 and March 9, 2005. We also determined the amounts paid by Metro.

We conducted this attestation review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our review objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our review objectives. We used the cost principles contained in the Federal Acquisition Regulation (FAR) Subparts 30 & 31, and the MOU provisions to evaluate and analyze the incurred cost.

The cost claimed is the responsibility of Caltrans. Our responsibility is to express a conclusion based on our audit. The audit report is intended solely for the use of Metro's management and should not be used for any other purpose without first consulting Management Audit.



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## INTRODUCTION

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### Methodology

We selected invoices submitted by Caltrans and traced various costs included on the invoices to supporting documentation such as vendor's invoices. We reviewed the cost for allowability in accordance with applicable cost standards and compliance with the terms and conditions of the MOU. We also reviewed Metro's accounting and MOU records to determine if the amounts claimed for reimbursement, as represented by the invoices submitted by Caltrans, were actually paid by Metro.

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## RESULTS

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### Conclusion

We take no exceptions to the total project cost of \$87,489,166. Metro's share for the project is \$3,090,763 ( $\$87,489,166 \times 3.53\%$ ). Caltrans billed Metro \$3,940,626 or 4.58 percent of \$87,489,166 allowable project cost.

Metro paid Caltrans \$3,940,626 and no retention was withheld. Therefore, Caltrans over paid Metro \$849,863 ( $\$3,940,126 - \$3,090,763$ ). Cost incurred by the lapsing date of June 30, 2006 and invoiced within 60 days after the lapsing date.

### Recommendation

We recommend that Countrywide Planning recover the over billed cost of \$849,863.

### Other Matters

During our review, we also found that Metro MOU's participation to the Construction Capital portion of the project of 5.9 percent was reduced to 4.58% for billing purposes. The reduced rate is the result of the Engineer's Estimate when the lowest bidder's cost went up and subsequently the STIP funds were also increased reducing Metro's participation. In addition, the preliminary PCS further reduced Metro's share to 3.53 percent. All these changes in Metro's participation to the project were mutually agreed by both Metro and Caltrans. Part I, Section 10 of the MOU states that "No material changes to the Programmed Budget or the Scope of Work shall be funded or allowed without prior approval by the Commission, MTA, and Grantee and written amendment to this MOU, approved and signed by the MTA Chief Executive Officer or his designee and Grantee".



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## RESULTS

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### Recommendation

We strongly recommend that any changes in the Programmed Budget should be covered by a written amendment to the MOU, approved and signed by the CEO or his designee and Caltrans.

### Management Response

Metro Project Manager concurred with the audit recommendations; and Caltrans Project Manager thru the Division of Accounting disagreed with the audit findings.

### Caltran's Response:

In their letter dated January 10, 2008, Caltrans disagreed with audit recommendations "that Metro was overbilled since final project costs have not been determined. At the conclusion of the project, if it is determined that an overbilling occurred, Caltrans will refund Metro the amount of the overbilling". Caltrans also provided Metro supporting documentation for the \$8,281 in questioned costs.

### Metro Project Manager's Response:

Metro Project Manager disagree that we have to wait until the final project cost is finalized to determine the overpayment because as far as the Project's Phase 4 charges is concerned, Metro was informed by District 7 staff that the settlement and payment of the contractor claim was processed, completed and included in the Preliminary PCS over a year ago. It was not expected that any more Phase 4 charges would accrue to this project.



Auditor's Rejoinder:

We accepted the supporting document submitted on the questioned costs of \$8,281. We agree with Metro Project Manager's position that no more charges would be incurred for Phase 4 based on our meeting with District 7 staff on September 13, 2007. Once the final PCS is issued, MAS will perform a close out review on Phase 4 to determine the overpayment.



ruthe holden  
Tue Feb 12 15:49:32 2008

Ruthe Holden  
Chief Auditor  
January 2008

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**APPENDIX A**

**SUMMARY OF MOU P0004289  
PROJECT FUNDING AND EXPENDITURES**

Funding Source	After Bid Opening Budgeted Funding	Percent	Actual Expended	Percent	Allowable Cost Expended	Payments	Under/(Over) Payment
STIP:							
HOV	61,446,502	70.39%					
Soundwall	5,193,667	5.95%					
SHOPP	\$ 5,302,611	6.07%					
Total STIP	71,942,780	82.41%	\$ 73,082,513	83.53%	\$ 73,082,513	-	-
RSTP	11,352,301	13.00%	11,315,890	12.93%	11,315,890	-	-
Prop C 25%	4,000,716	4.58%	3,090,763	3.53%	3,090,763	3,940,626	(849,863)
TOTAL	\$ 87,295,797	100.00%	\$ 87,489,166	100.0%	\$ 87,489,166	\$ 3,940,626	(849,863)